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## To Really Reform Healthcare, Democrats Should Take Their Cue From Garamendi

By Jamie Court

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Democrats talked a good game when it came to healthcare reform at their convention in Boston last week. But talk is cheap. They need to follow the lead of one of their own — California Insurance Commissioner John Garamendi — and play hardball.

On July 23, Garamendi blocked part of Anthem Inc.'s planned acquisition of WellPoint Health Networks Inc., and in the process stalled and possibly halted a deal worth about \$17 billion, the largest buyout in U.S. health insurance history. He used the broad discretion given regulators and executive branches to prevent the sale of one WellPoint subsidiary, Blue Cross Life & Health, taking the stand that obscene profiteering in healthcare is a threat to policyholders.

Garamendi found that the state's policyholders would be "prejudiced" — harmed — by \$4.2 billion in transaction costs associated with the WellPoint sale, which included up to \$600 million in cash and stock for executives, with \$230 million earmarked for WellPoint Chief Executive Leonard Schaeffer. That's because policyholders would pay, either through higher premiums or fewer benefits, for the cost of those platinum parachutes, for the deal's Wall Street financing and its promised \$28-per-share dividend for stockholders.

It's possible that Anthem could get a court to reverse Garamendi's decision, which targeted the proposed WellPoint sale as an example of looting the healthcare system. As Garamendi said, "This may have been an extraordinarily good deal for officers and directors, but this is one lousy, bad deal for policyholders and healthcare consumers in California."

Where were the rest of the nation's Democrats? Out of nine other states with regulatory power over the WellPoint- Anthem deal, six are controlled by Democratic governors and insurance commissioners, yet only Garamendi stepped up to stop the deal.

Actually, Democrats have a history of being soft on greed in the healthcare system. President Clinton presided over an unprecedented era in healthcare consolidation and profiteering. It was Clinton's Justice Department that signed off on the biggest personal paycheck for a healthcare CEO ever. In 1996, U.S. Healthcare was purchased by Aetna, and U.S. Healthcare founder and Chairman Leonard Abramson took away more than \$990 million in cash and stock.

But the Democrats can redeem themselves. They should start with the insurance companies, exercising their regulatory and executive powers at the state level.

Just less than half the nation's governors and insurance commissioners are Democrats, and 40 states have

strong policyholder protection laws. That means Democrats already have the right to make insurers justify their premiums, curb their excess profits and put policyholders first.

Next they should tackle drug companies' profiteering. Democrats in Washington talk tough about allowing Medicare to negotiate bulk discounts for seniors' drugs, barred under President Bush's prescription drug plan. However, seven pharmaceutical companies gave between \$2.5 million and \$5 million to the Democratic convention host committee, in the hope of forestalling any change in discounting rules and any change in their profits, which are four or five times greater than the Fortune 500 average. Democrats should walk their talk and push through bulk discounts for seniors and all Americans.

Finally, they should set reasonable standards overall for pay and profits in the healthcare system. In 2003, according to the Center for Medicaid and Medicare Services, overhead became the fastest-growing component of healthcare spending. So much for the efficiencies promised when the last wave of healthcare mergers was OKd. The simplest solution would be to demand transparency concerning where all the money goes in the healthcare system — data often considered a trade secret — then empower an independent federal agency to set limits on waste and greed.

If Democrats truly care about protecting the healthcare of Americans, they will take their cue from Garamendi and fight for the consumer. All they have to do is follow the money.